

Fattal ♥ בית

HOUSE OF HOTELS | בית של מלונות

Capital Market Presentation, August 2021





Disclaimer

This presentation is not the Company's offer of securities to the public and should not be interpreted as an offer of securities to the public. The presentation constitutes the Company's principal and marketing presentation. The information included in this presentation and any other information that shall be delivered during this presentation (hereinafter: "the Information") does not constitute a recommendation or an opinion of an investment consultant or a tax consultant. The Information is only condensed information. Investment in securities, in general, and in the Company, carries risk. You should take into account that past data does not necessarily indicate future performance. The purchase of the Company's securities requires an in-depth review of the information published by the Company and a legal, accounting, taxation and economic analysis thereof.

Data regarding: (i) distribution of hotels that are open by months; (ii) a summary of the number of hotels and hotel rooms according to ownership/ rent/ management, divided by sectors as of June 2021-which are shown in slides No. 4, 8 are provided in this presentation for the first time as additional information.



Fattal Group Business Card

Over 42,000
rooms

219
hotels

19
countries

NIS 1.3
billion

Cash balances on the date of
signing this report



The Company was **established in 1998**
by Mr. David Fattal



Israel's **largest and leading** hotel chain



Fast growth in Europe. More than **100** destinations across Europe



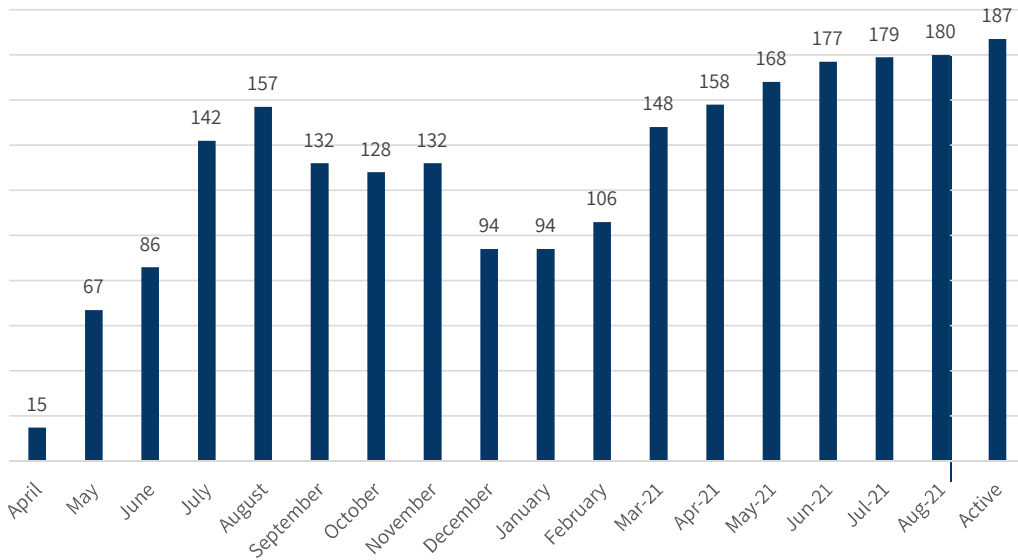
Including future hotels.

SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

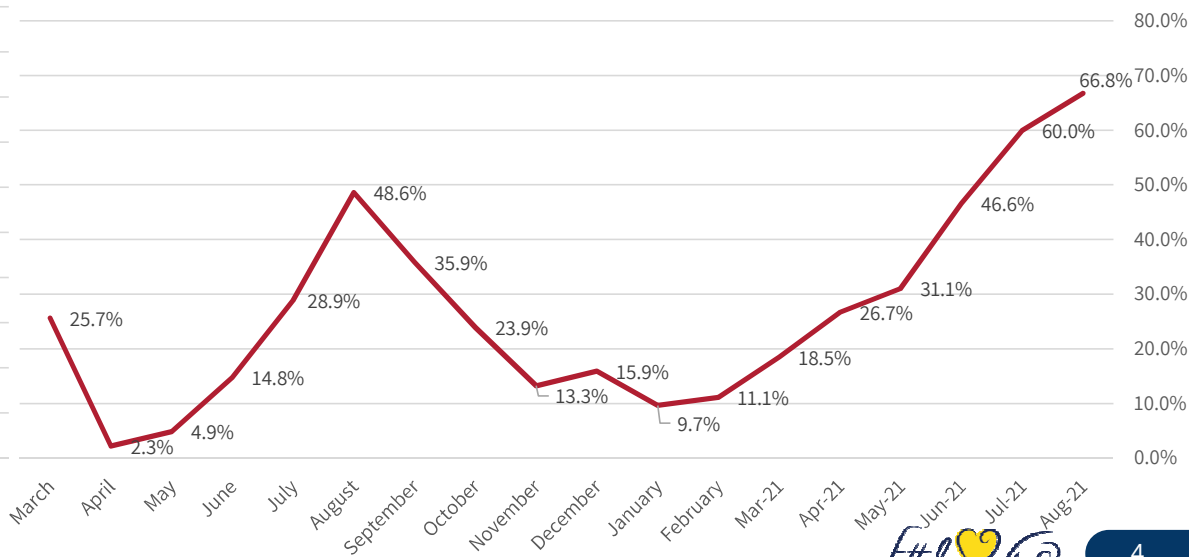


COVID 19 Pandemic

Distribution of hotels open over recent months



Distribution of chain occupancy rates by months



The Corona pandemic – actions by the Company to adapt cash flow expenses to the expected material decrease in revenues:

The Company estimates that the performance of the following actions (insofar as these have not yet been performed and / or completed as of the date of signing the report) may result in additional financial resources estimated in approximately over NIS 1.9 billion.

Management and the Board of Directors estimate that these operations, together with cash and cash equivalents, in the amount of NIS 1.3 billion, which the Group have on the date of signing this report, will enable the Company to meet all its obligations during the next 12 months at least, after the date of approval of these financial statements and will allow a gradual return to activity routine without the need for additional steps.



The Company is negotiating with regard to deferrals or waivers of rental payments

Since March 2020 the Company obtained deferrals (to the coming years) and waivers of rental payments in the amount of **NIS 608 million**, of which rent in the amount of **NIS 482 million** was waived and rent in the amount of **NIS 126 million** was deferred.

In addition, the Company is conducting advanced negotiations to obtain deferrals and waivers with regard to part of the rental payments for 2020 and for the first, second and third quarters of 2021.



Management fees of controlling shareholder

David Fattal waived his 2019 bonus – about NIS 5.8 million.

In addition he waived his management fees for the second quarter of 2020 and about 30% of his management fees from the third quarter of 2020 until the end of the second quarter of 2021.



Receipt of grants

The Company has received government participation for the reimbursement of operating expenses in Europe, primarily **NIS 291 million** in 2020 and **NIS 361 million** for the period from January through June 2021. This amount includes a grant in Germany for the decrease in turnover of **EUR 48 million**.

Subsequent to balance sheet date, the maximum grants in Germany were increased and the Company will soon submit application for an additional grant for a total amount of **EUR 40 million**.



Operational optimization

- Putting employees on unpaid leave during the lockdown period and rehiring concurrent with opening of the hotels.
- Salaries reductions and job reduction.
- Closing hotels during the lockdown period and reopening them according to demand. At the time of signing the report, about 180 hotels out of 187 active hotels reopened.
- Operating expenses: reduction of marketing expenses and receiving discounts from suppliers.
- Deferring most of investments and renovations.

The Corona pandemic – actions by the Company to adapt cash flow expenses to the expected material decrease in revenues (cont.):



Raising of equity

July 2020 - Raising equity by way of a rights issue of **about NIS 99 million (David Fattal's participated by about NIS 57 million)**.

October 2020 – Completion of private placement of shares for **about NIS 50 million**.



Financing – banking corporations and issuing bonds

Banks in Israel and some European countries deferred Q2-Q4 principals payments of loans for 2020 in total amount of **about NIS 280 million** as well as Q1 principal payments of loans for 2021 in total amount of **about NIS 50 million**.

Year of 2020 – Issue of debentures (in a subsidiary) amounting to **about NIS 250 million**.

November 2020 – Issue of convertible bonds amounting to **about NIS 315 million**.

April 2021- Issue of debentures amounting to **about NIS 192 million**



Receipt of government guaranteed loans in significant amounts

As of date of the financial statements, the following loans were received:

Europe: **about EUR 67 million**.

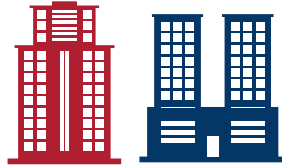
Israel: **about NIS 134 million**.



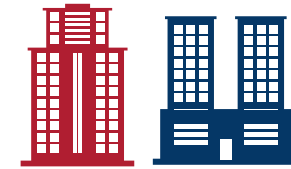
Possibility of selling hotels in Europe

August 2020 - Sale of Leonardo Royal Berlin Alexanderplatz hotel (net cash flow for the Company about **EUR 17.3 million**).

March 2021 - Sale of two hotels in Munich, Germany (net cash flow amounted to approximately **EUR 33 million**)



Signs of recovery



Occupancy rates are rising each month in accordance with the opening of the businesses in Israel and Europe.

Record occupancy and record prices in tourist areas in Israel

Forecast of occupancy for August 2021:
72% in Israel
75% in the UK

A diverse range of hotels adapted to the recovery of the economy in Israel and Europe.



Second Quarter

Income¹ - NIS 669 million
EBITDAR¹ - NIS 371 million
EBITDA^{1,2} - NIS 199 million
FFO - NIS 157 million

Opening of the businesses in Israel (in mid-February 2021).

Opening of the businesses in UK (in mid-May 2021).

Forecast of average occupancy for the third quarter: 65%-70%

Extensive government support in some European countries alongside progress in the vaccination campaign and lifting of restrictions.

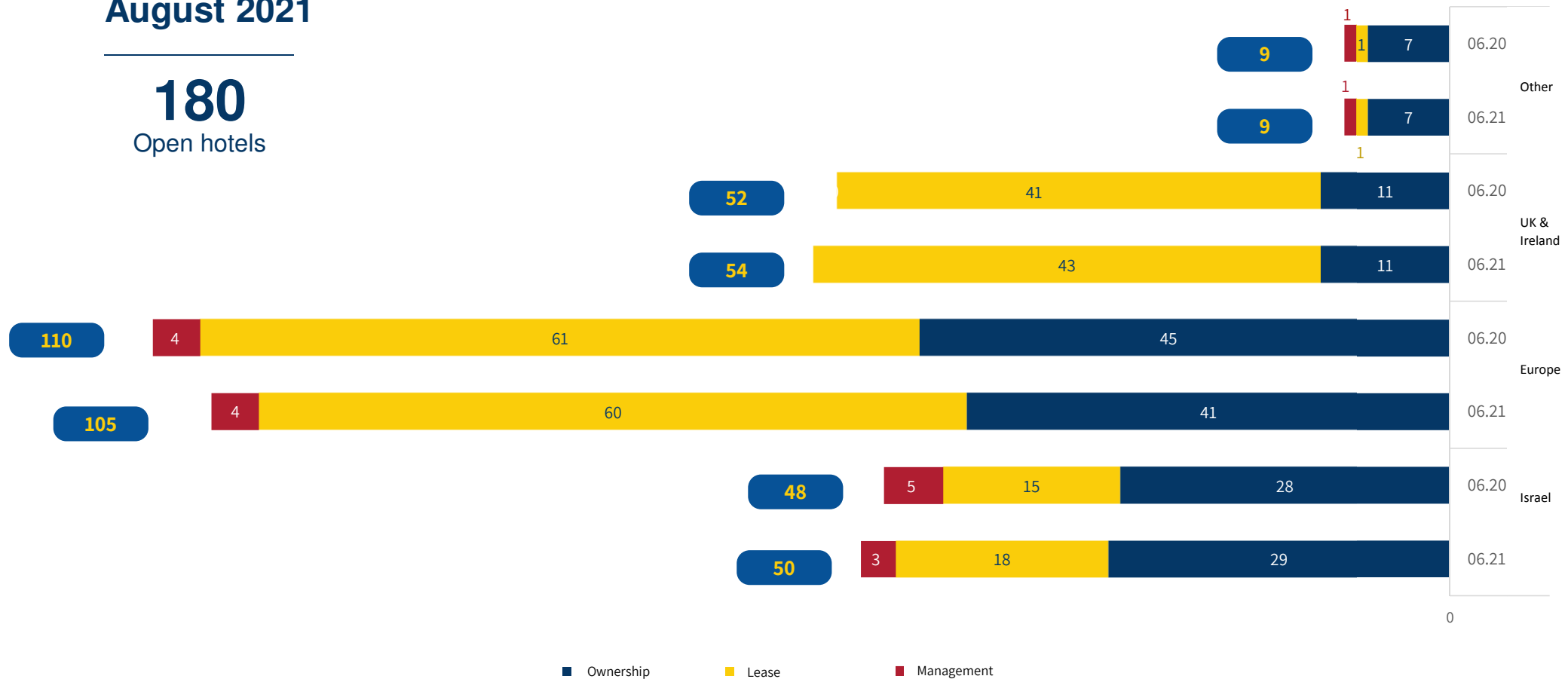
¹ Including the relative part of hotels under 50% ownership.

² Prior to the Impact of Standard IFRS 16.

Number of Hotels¹ - Fattal Group

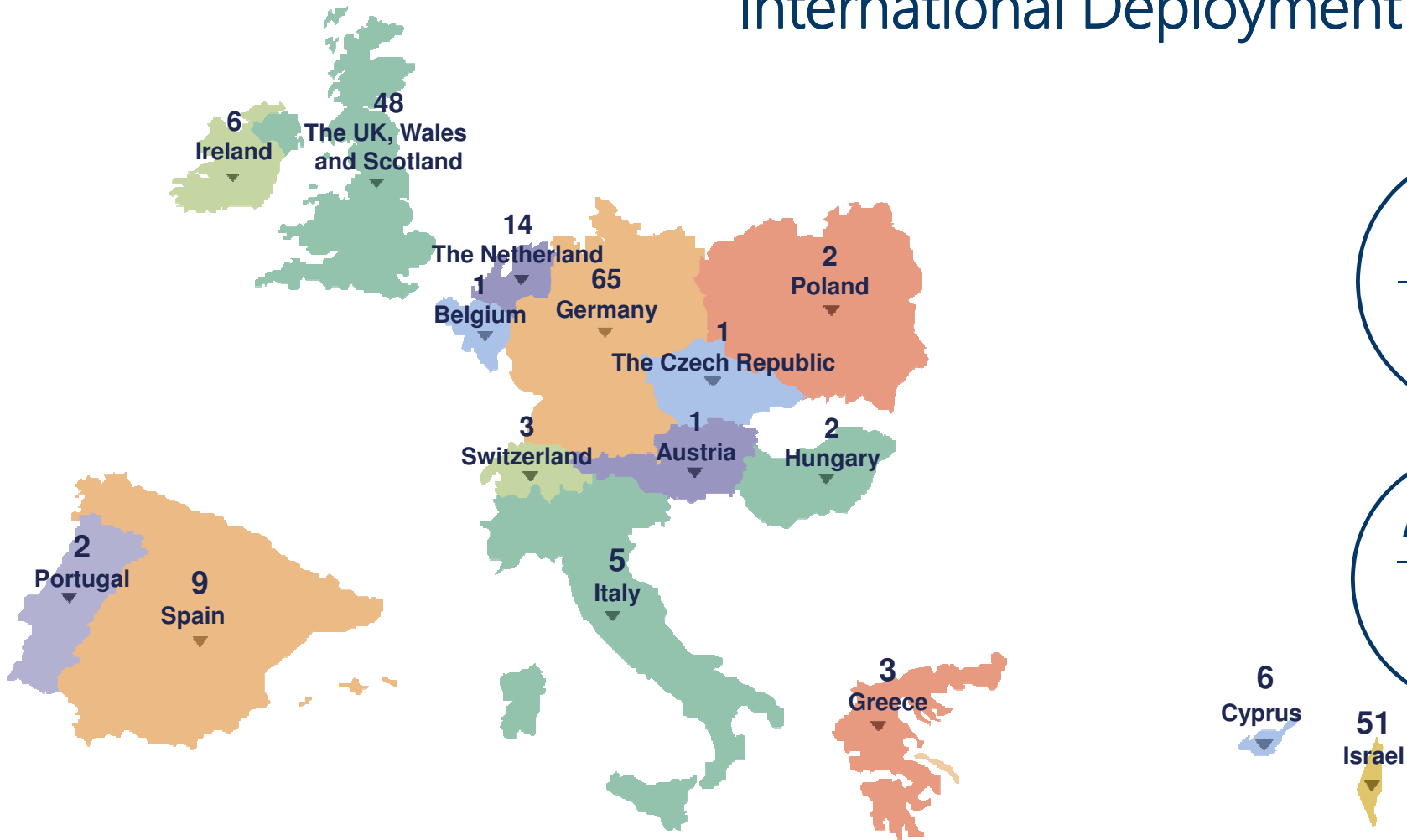
August 2021

180
Open hotels



¹ As of June 30, 2021, including 9 future hotels in Israel (996 rooms), 12 future hotels in Europe (3,238 rooms), 6 future hotels in the United Kingdom (1,234 rooms) and 4 future hotels in Greece and Cyprus (744 rooms).

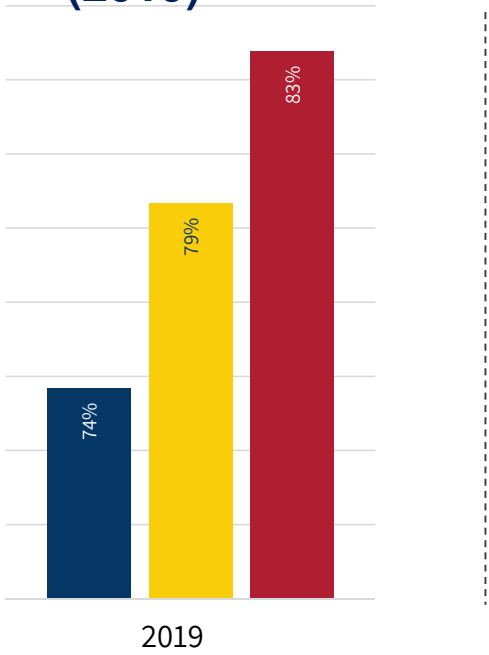
International Deployment¹ – 19 countries



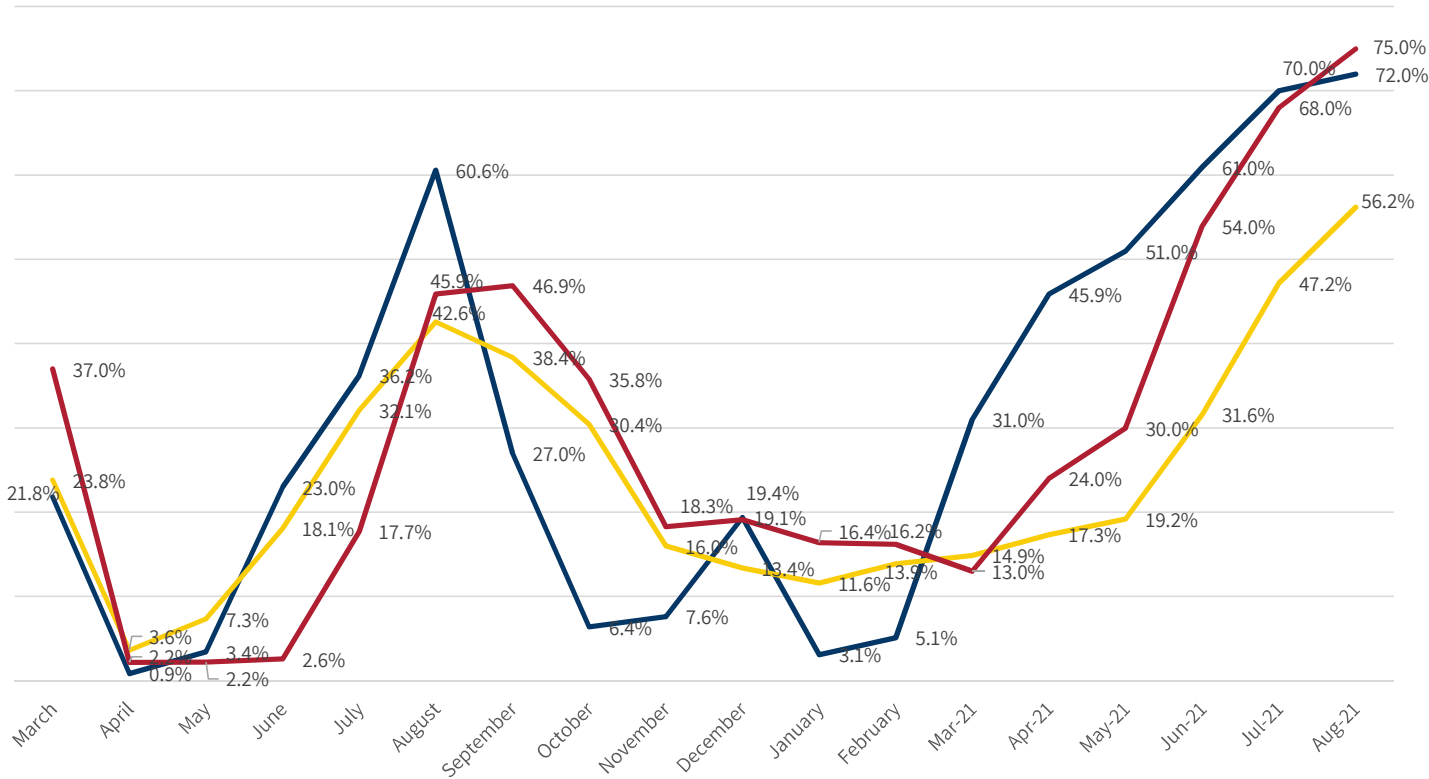
¹ Including future hotels.

Company Occupancy Data

Average Chain Occupancy Rates (2019)

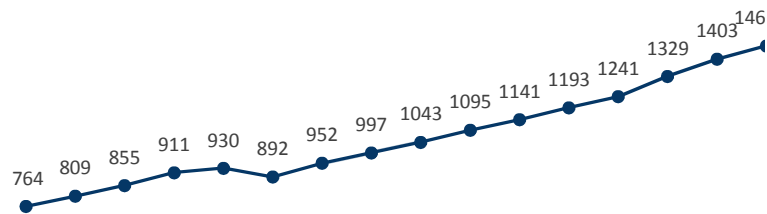


Distribution of Occupancy Rates by Months in 2020/21



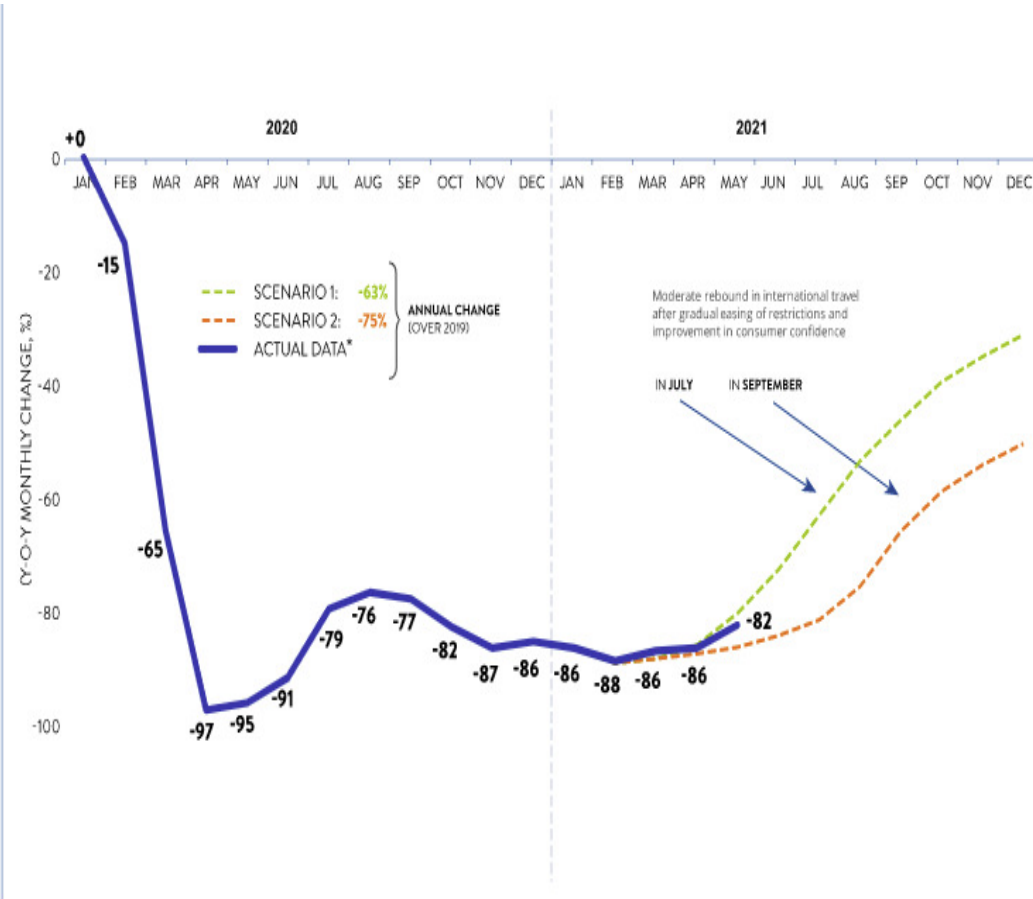
Forecasts and / or scenarios of UNWTO on the manner and duration of recovery of the global hotel industry from the Corona crisis ¹

No. of international tourist (millions)¹

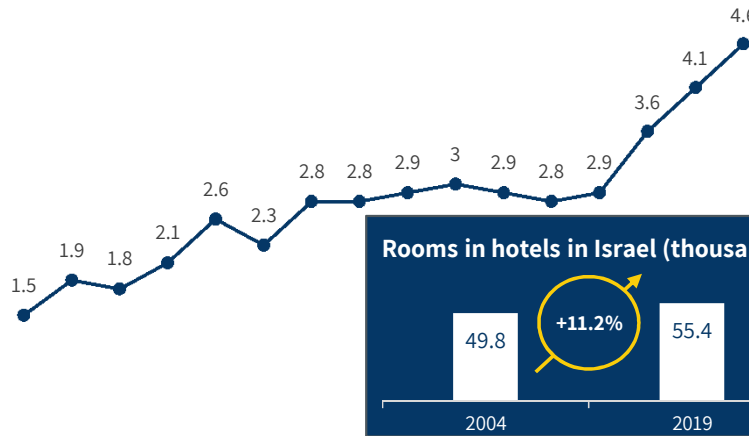


INTERNATIONAL TOURIST ARRIVALS: SCENARIOS FOR 2021

(Y-O-Y MONTHLY CHANGE OVER 2019, %)



Tourist arrivals in Israel (millions)²



* Actual data for 2021 is preliminary and based on estimates for destinations which have not yet reported monthly results.



SOURCE: UNWTO (DATA AS OF JULY 2021)

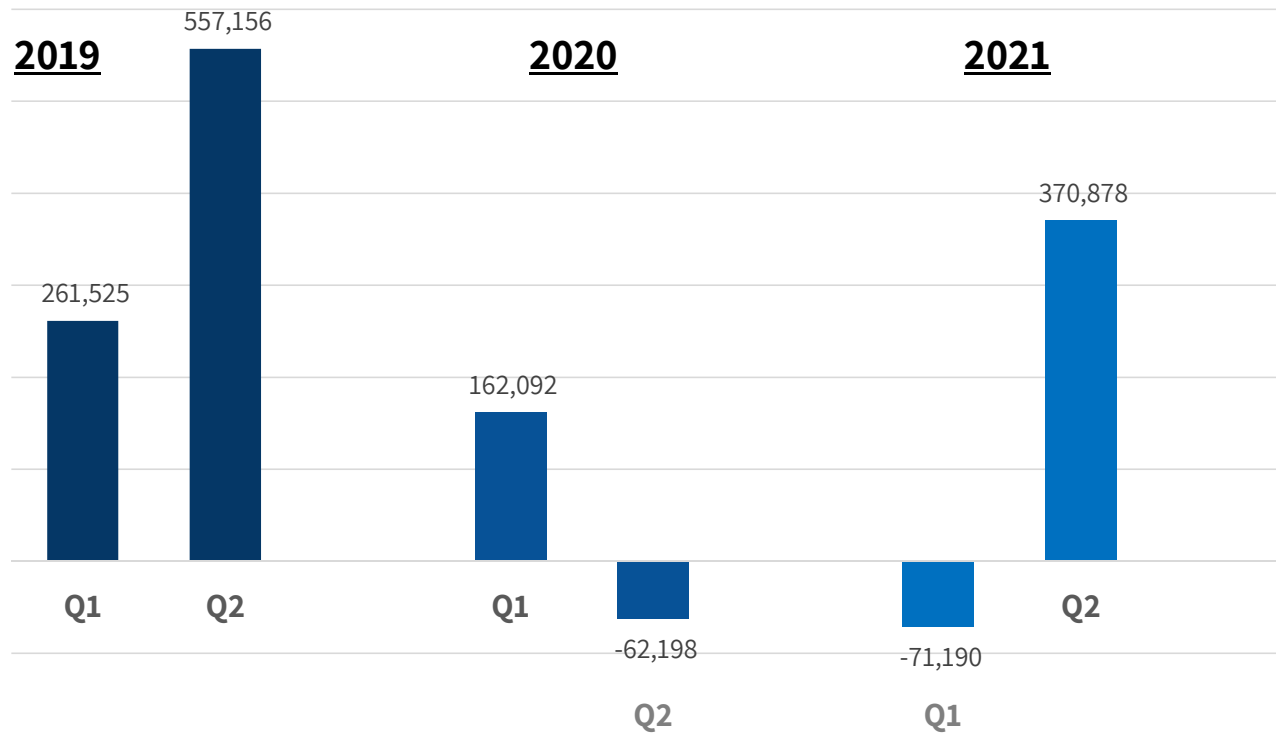
2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

¹ UNWTO is the United Nations World Tourism Organization. It should be noted that the Company did not contact the UNWTO who published the said information for receipt of its consent to the inclusion of the following information, which was publicly available information announced in June 2021.

² CBS data

Main Financial Data (continued)

EBITDAR -Data for the quarters (NIS millions) ¹

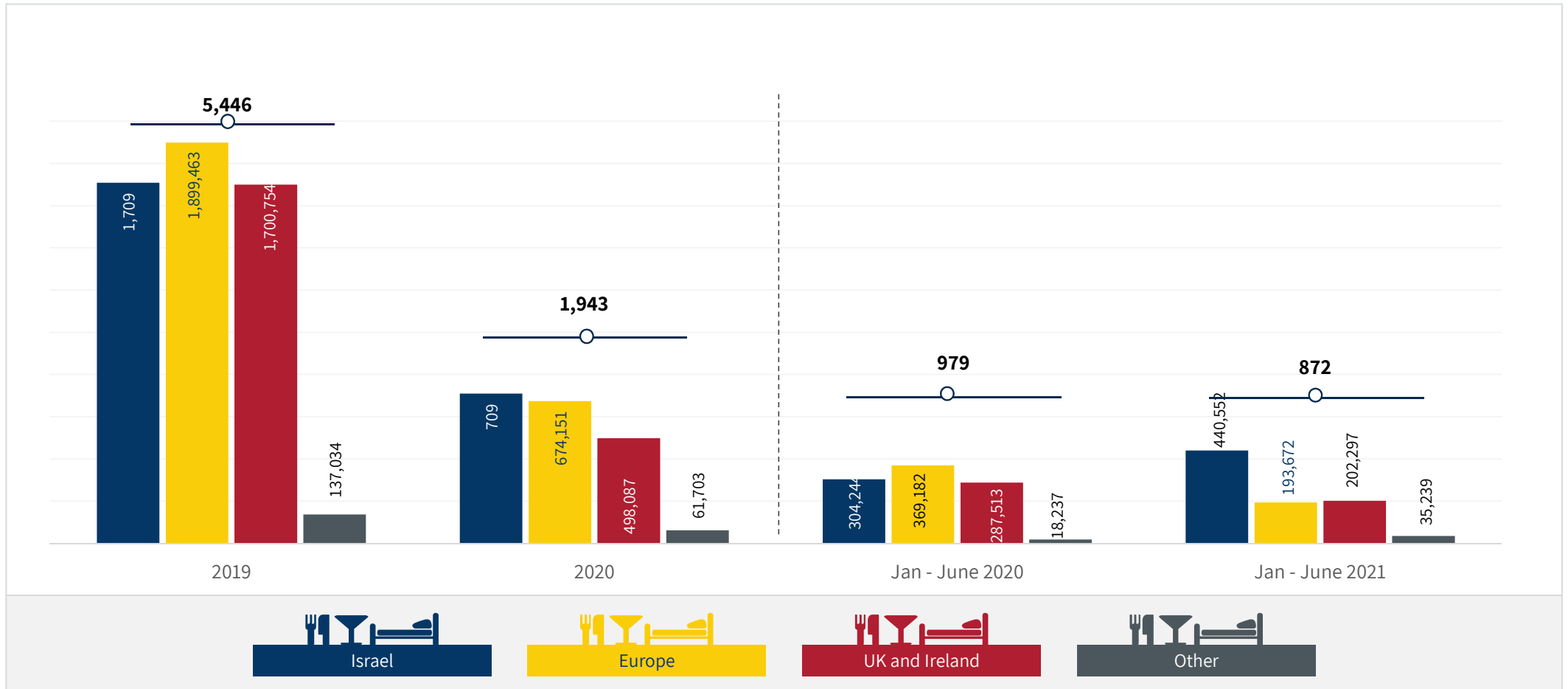


¹Including the relative part of hotels under 50% ownership.



Main Financial Data

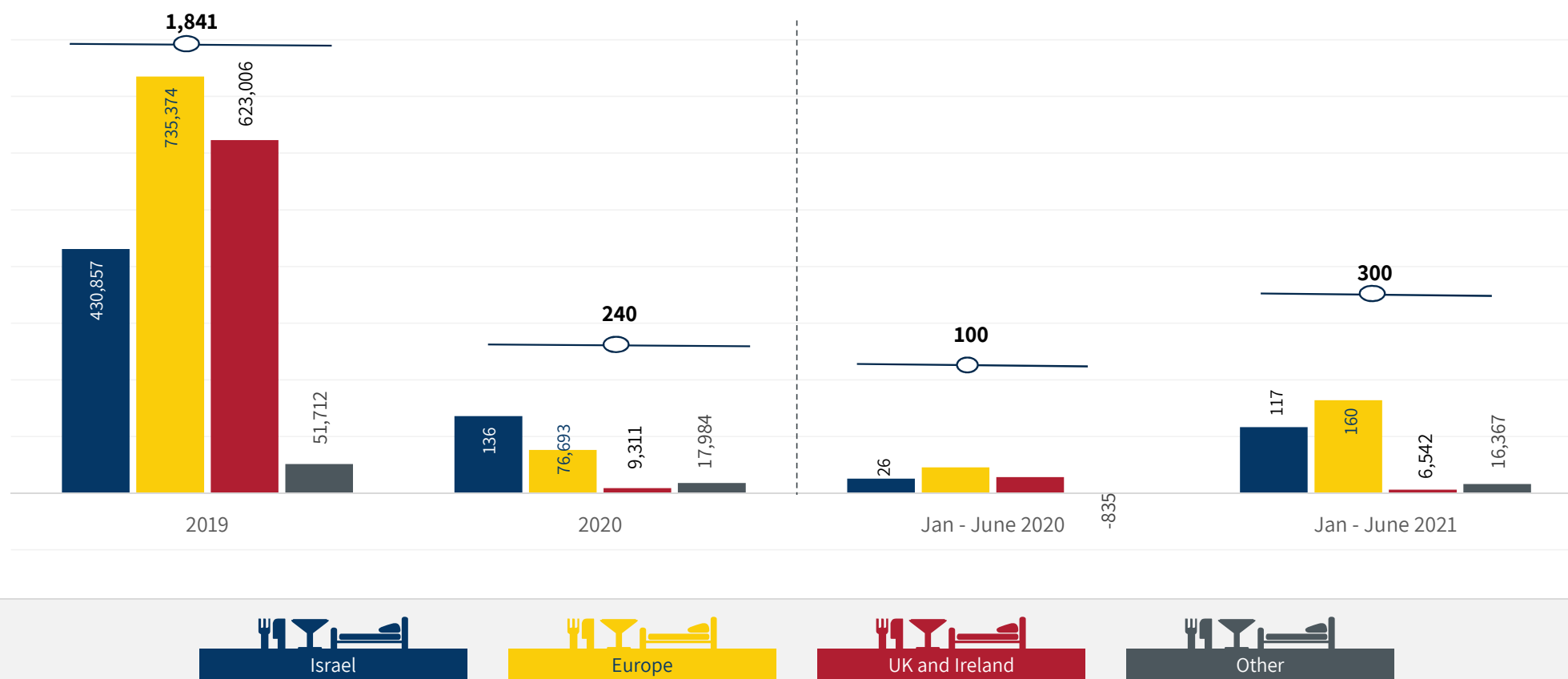
Fattal Chain Revenues (NIS millions)¹



¹ Including the relative part of hotels under 50% ownership.

Main Financial Data (continued)

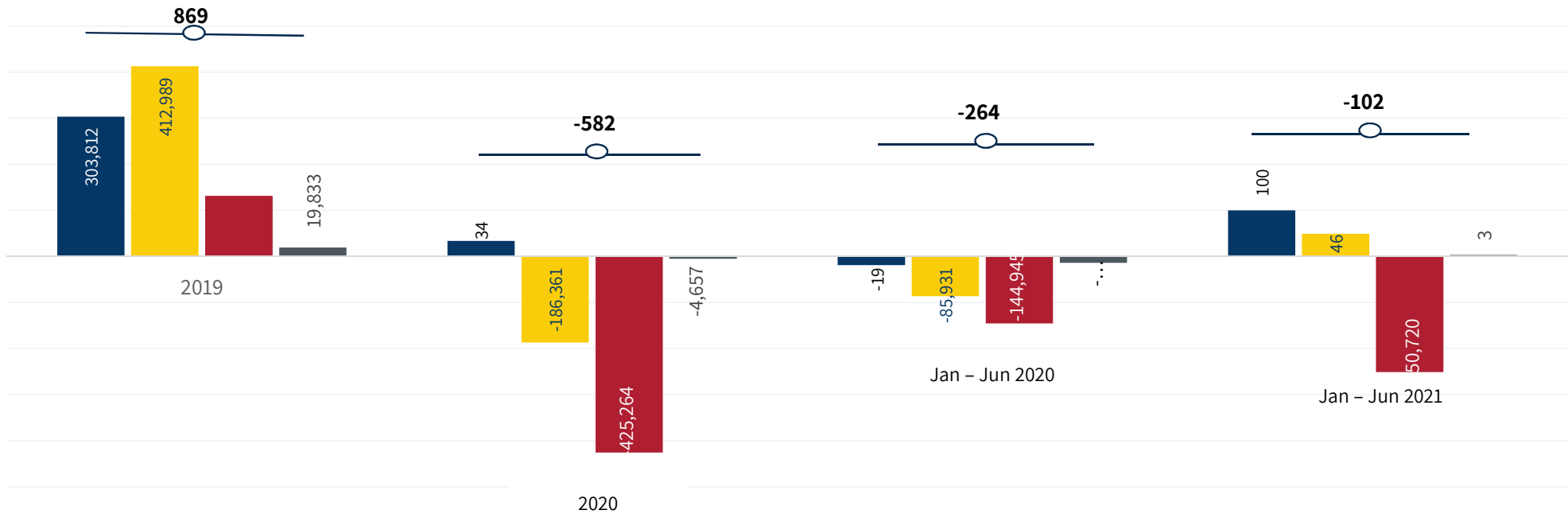
EBITDAR (NIS millions) ¹



¹Including the relative part of hotels under 50% ownership.

Main Financial Data (continued)

EBITDA (NIS millions) ¹ Prior to the Impact of Standard IFRS 16



¹ Including the relative part of hotels under 50% ownership.

Hotels with Future Opening Date¹

<u>Location</u>		<u>Rooms</u>	<u>Date</u>	<u>Expected Costs¹</u> (M.EURO)
Barcelona, Spain	Owned (50%)	204	2021	2
Dublin, Ireland	Owned (50%)	175	2023	15
Tel Aviv, Israel	Owned	74	2022	25
Athens, Greece	Leased	217	2022	17
Thessaloniki , Greece	Owned (50%)	135	2023	7.5
Limassol, Cyprus	Owned (50%)	194	2023	10
Edinburgh, Scotland	Owned	90	2022	18
Haifa, Israel	Owned	163	2022	10
Liverpool, England	Owned	207	2023	26
Nicosia, Cyprus	Owned (50%)	198	2023	10
Hamburg, Germany	Owned	236	2023	39
Manchester, England	Owned	275	2023	34
Lisbon, Portugal	Owned	144	2023	24
Porto, Portugal	Owned (33%)	560	2024	23
Dead sea, Israel	Owned	218	2024	30
Total (15 Hotels)		3,090		



<u>Location</u>		<u>Rooms</u>	<u>Date</u>
Bristol, England	Leased	200	2021
Eschborn, Germany	Leased	234	2021
Augsburg, Germany	Leased	235	2021
Chester, England	Leased	94	2021
Tel Aviv, Israel	Leased	56	2022
Jerusalem, Israel	Managed	88	2022
Tel Aviv, Israel	Leased	78	2022
Koln, Germany	Leased	336	2022
Hamburg, Germany	Leased	191	2023
Koln, Germany	Leased	238	2023
Jerusalem, Israel	Leased	90	2023
Jerusalem, Israel	Leased	72	2023
Kibbutz Tzuba, Israel	Leased	152	2023
Koln, Germany	Leased	250	2023
Berlin, Germany	Leased	374	2023
Leipzig, Germany	Leased	236	2023
Jerusalem, Israel	Leased	168	2024
Liverpool, England	Leased	283	2024
Total (18 Hotels)		3,375	

¹ Future transactions that were signed up to the date of approval of the financial statements



CONSOLIDATED BALANCE SHEET (NIS millions)

	Jun 2021		Jun 2020	Dec 2020	
	Data prior to implementation of IFRS16	Impacts of IFRS16	As shown in the Financial Statements		
Current Assets	2,121	(19)	2,102	1,723	2,062
Long Term Investments and Other Assets	2,532	12,013	14,545	13,587	14,030
Fixed Assets	5,364	-	5,364	5,440	5,383
Total Properties	10,017	11,994	22,011	20,750	21,475
Short Term Credit	596	-	596	497	526
Other Current Liabilities	1,266	411	1,677	1,421	1,408
Loans and Bonds – Long Term	4,932	-	4,932	4,227	4,932
Deferred taxes	244	-	244	281	263
Others	552	12,283	12,835	11,922	12,396
Total Liabilities	7,590	12,694	20,284	18,348	19,525
Shareholders' Equity	2,427	(700)	1,727	2,402	1,950
Total Liabilities and Equity	10,017	11,994	22,011	20,750	21,475





Profit and Loss Statement (NIS million)

	4-6/21		4-6/2020	
	Data prior to implementation of IFRS16	Impacts of IFRS16	As shown in the Financial Statements	
Revenues from Hospitality Services and Others	645	-	645	123
Total Operating Expenses	282	-	282	184
Operating income before rent, depreciation and reductions (EBITDAR)	363	-	363	(61)
Total Rent	184	(183)	1	-
Operating income before depreciation and amortization (EBITDA)	179	183	362	(61)
Depreciation	(74)	(168)	(242)	(234)
Other Expenses, Net	61	90	151	42
Profit before Financing	166	105	271	(253)
Financing Expenses, Net	(48)	(168)	(216)	(187)
Group's Share in the Subsidiaries' Earnings (Losses)	5	2	7	(12)
Tax Expenses (Tax Benefit)	(28)	48	20	92
Net Income	95	(13)	82	(360)
Net Earnings Attributed to Shareholders of the company			79	(359)
Net Earnings Attributed to Non-controlling Interests			3	(1)
Real FFO	157		157	(259)



Profit and Loss Statement (NIS million)

	1-6/21		1-6/2020		1-12/2020
	Data prior to implementation of IFRS16	Impacts of IFRS16	As shown in the Financial Statements		
Revenues from Hospitality Services and Others	840	-	840	962	1,904
Total Operating Expenses	547	-	547	858	1,657
Operating income before rent, depreciation and reductions (EBITDAR)	293	-	293	104	247
Total Rent	422	(421)	1	2	3
Operating income before depreciation and amortization (EBITDA)	(129)	421	292	102	244
Depreciation	(149)	(328)	(477)	(472)	(961)
Other Expenses, Net	57)	119	176	(45)	(41)
Profit before Financing	(221)	212	(9)	(415)	(758)
Financing Expenses, Net	(114)	(330)	(444)	(409)	(807)
Group's Share in the Subsidiaries' Earnings (Losses)	(5)	3	(2)	(21)	(34)
Tax Benefit	95	62	157	178	275
Net loss	(245)	(53)	(298)	(667)	(1,324)
Net Earnings Attributed to Shareholders of the company			(300)	(666)	(1,314)
Net Earnings Attributed to Non-controlling Interests			2	(1)	(10)
Real FFO	(220)		(220)	(338)	771



Cash Flow Statement (NIS millions)

	1-6/21	1-6/20	1-12/20
Cash flows from operating activities	46	(44)	(254)
Cash flows for investing activities	207	(356)	(327)
Cash flows from financing activities	(129)	244	966



Debentures (Series B) ^{1,2}

	06/2021	As per Trust Deed
Shareholders' equity	2,427(NIS million)	Not less than 1,250 (NIS million)
Ratio of equity to total assets	24.2%	Not less than 22.5%
Ratio of net financial adjusted debt to adjusted EBITDA	4.45	Not more than 8

Debentures (Series C) ^{1,2}

	06/2021	As per Trust Deed
Shareholders' equity	1,726(NIS million)	Not less than 1,400 (NIS million)
EBITDA	1,841	Not less than 700 (NIS million)
Ratio of net financial debt to net CAP	67.3%	Not more than 76%

Convertible Bonds (Series 1) ^{1,2}

	06/2021	As per Trust Deed
Shareholders' equity	1,726(NIS million)	Not less than 1,400 (NIS million)
Ratio of net financial debt to net CAP	67.3%	Not more than 76%

1 As of June 30, 2021, the Company meets all the standards to which it is obligated pursuant to review of the proforma as stated in section 11.3.1 in the Directors' Report .

2 For the definition of the terms "net financial debt", "EBITDA" and net CAP, see section 11.3 of the Company's Board of Directors' Report as of June 30, 2021 which is included in the Company's annual report at that date.



Financial Ratios to Repayment¹



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Thank you for your attention!